



China Lodging Group, Ltd.

March 12, 2018

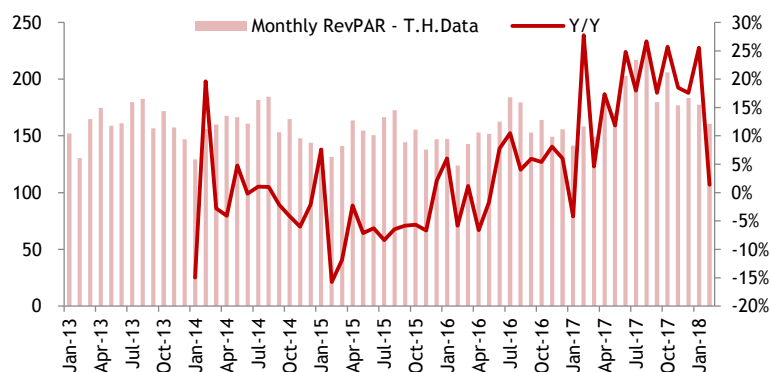
Expect Better 4Q17 Results and 1Q18 Guidance; Maintain BUY & Raise PT to \$175

HTHT will report 4Q17 results on Tuesday, March 13th after the market close followed by a 9pm ET conference call. Based on its previously released operating data, HTHT is likely to report 4Q17 results better than consensus expectation. For 1Q18, based on our proprietary data, we believe HTHT is likely to achieve RMB2,092.0M, better than consensus at RMB2,025.8M driven by the growth in both number of hotels to grow 26% Y/Y and RevPAR at 15% Y/Y growth. We maintain our BUY rating and raise our PT to \$175.00.

- Expect better 1Q18 performance** – Based on our proprietary data, RevPAR is likely to be RMB175 in 1Q18 (*Figure 1*), up 15% Y/Y from RMB152 in 1Q17; driven by occupancy rate, which is likely to increase to 84.2% (*Figure 2*) in 1Q18, up from 83.9% in 1Q17. The ADR is likely to improve to RMB208 (*Figure 3*) in 1Q18 from RMB182 in 1Q17. As of its number of hotels available for booking on Huazhu official website, it is likely to be about 3,841 in 1Q18, about 26% Y/Y growth (*Figure 4*). As such, we believe HTHT is likely to achieve RMB2,092.0M, better than consensus at RMB2,025.8M.
- 4Q17 results are likely to be better than consensus expectation** – According to HTHT’s preliminary 4Q17 operating results published on January 16, 2018, its blended RevPAR increased 15% Y/Y to RMB181 in 4Q17 from RMB158 in 4Q16 as a result of increases in both ADRs and occupancy rate. The blended same-hotel ADR increased 13% Y/Y from RMB186 to RMB211 and occupancy rate increased slightly to 86% in 4Q17 from 85% in 4Q16. As such, net revenue is likely to grow 33.5% Y/Y to RMB2,229.4M in 4Q17, better than the Street consensus at RMB2,185.8M (31% Y/Y growth).
- Please see page 2 for a discussion of valuation and risks.**

For the full version of this report, please contact TH Capital.

Figure 1: RevPAR of HTHT, 1/2013 – 2/2018



Source: T.H. Data (www.thdata.com)

HTHT: BUY
Price: \$153.74
Target Price: \$175.00 (was \$150.00)

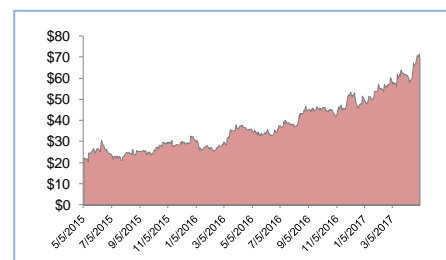
52 Week Range:	\$55.02 - \$166.19
Market Cap:	\$10.8B
Avg. Daily Vol. (100 day):	580,603
3-Yr. Est. Rev. CAGR:	19%

FY (Dec)	2016A	2017E	2018E
Q1	1,438A	1,593A	2,017E
Q2	1,657A	1,989A	2,474E
Q3	1,774A	2,373A	2,825E
Q4	<u>1,670A</u>	<u>2,185E</u>	<u>2,434E</u>
FY Net Rev.	6,539A	8,140E	9,750E

Q1	1.01A	2.06A	2.61E
Q2	4.44A	5.41A	5.91E
Q3	4.12A	6.50A	8.33E
Q4	<u>1.76A</u>	<u>4.20E</u>	<u>4.76E</u>
GAAP EPS	11.33A	18.16E	21.61E
PE	94.2x	56.3x	47.3x
EBITDA	\$267.5A	\$410.2E	\$504.2E
EV/EBITDA	43.3x	28.2x	23.0x

*GAAP EPS

All figures in millions unless otherwise noted



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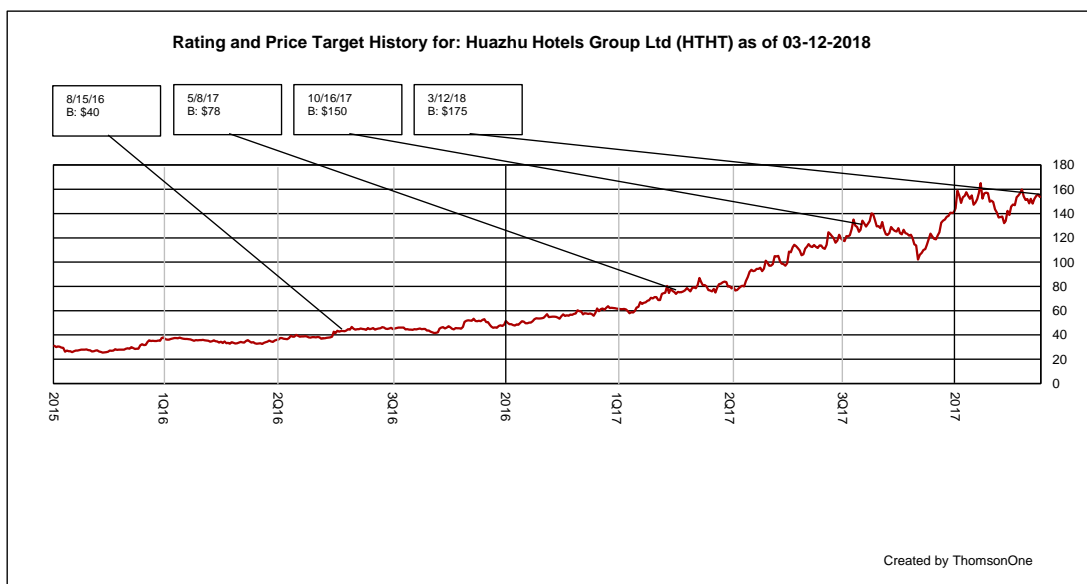
- **Valuation and price target** – We maintain our BUY rating and raise our price target to \$175.00 from \$150.00. Our price target of \$175.00 is based on a forward EV/EBITDA multiple of 21.6X our 2019E non-GAAP EBITDA projection at \$586.1M (or \$8.10 per share).
- **Risks** – Beside the risks mentioned in its annual filing, we also want to point out the following: 1) given the price increase in China's commercial property market, the inability to renew property leases may become reality; 2) failure of new acquisitions, 3) failure to integrate acquisitions; and 4) increasing labor and rental cost.
- **Dial-in information** – HTHT will report 4Q17 results on Tuesday, March 13th after the market close followed by a 9pm ET conference call. The call can be accessed by dialing (845) 675-0438, passcode 7095016.

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